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COMPONENT UNIT FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DRAINAGE DISTRICT NO. 4
ST. TAMMANY PARISH, LOUISIANA

December 31, 2000

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-18-01

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Smith, Huval & Associates, L.L.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Drainage District No. 4
St. Tammany Parish, Louisiana

We have audited the accompanying component unit financial statements of Drainage District No. 4 and the account group financial statements as of December 31, 2000, and for each of the years ended December 31, 2000 and 1999, as listed in the table of contents. These component unit financial statements are the responsibility of the Districts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Drainage District No. 4 as of December 31, 2000, and for each of the years ended December 31, 2000 and 1999, in conformity with generally accepted accounting principles. Also, in our opinion, the account group financial statement referred to above presents fairly, in all material respects, the financial position of the account group of the Drainage District No. 4 as of December 31, 2000, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the component unit financial statements as a whole. The accompanying information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the St. Tammany Parish Drainage District No. 4. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

To the Board of Commissioners
Drainage District No. 4
St. Tammany Parish, Louisiana

In accordance with Government Auditing Standards, we have also issued a report dated June 7, 2001 on our consideration of the internal control over financial reporting of Drainage District No. 4 and on its compliance with laws and regulations.

June 7, 2001

Smith, Hural & Associates, L.L.C.

Drainage District No. 4
St. Tammany Parish, Louisiana

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 2000

	<u>Governmental Fund Type</u>	<u>Account Group</u>	<u>Total</u>
	<u>General</u>	<u>General Fixed Assets</u>	<u>(Memorandum Only)</u>
ASSETS			
Cash on hand and in bank	\$ 16,055	\$	\$ 16,055
Plant and equipment		438,251	438,251
Prepaid Services	8,139		8,139
Other	431		431
	<u>\$ 24,625</u>	<u>\$ 438,251</u>	<u>\$ 462,876</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts payable	\$ 578	\$	\$ 578
Payroll taxes payable	408		408
Total Liabilities	<u>986</u>	<u>-</u>	<u>986</u>
Fund Equity			
Investment in general fixed assets:			
General fund		438,251	438,251
Unreserved fund balance	23,639		23,639
Total fund equity	<u>23,639</u>	<u>438,251</u>	<u>461,890</u>
	<u>\$ 24,625</u>	<u>\$ 438,251</u>	<u>\$ 462,876</u>

The accompanying notes are an integral part of this statement.

Drainage District No. 4
St. Tammany Parish, Louisiana

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES

For the Years Ended December 31, 2000 and 1999

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Service fees	\$ 114,761	\$ 108,689	\$ (6,072)	\$ 113,225	\$ 113,225	\$ -
Interest income	2,317	2,096	(221)	2,236	2,156	(80)
Other revenues		861	861			-
Total revenues	117,078	111,646	(5,432)	115,461	115,381	(80)
Expenditures						
Salaries	36,600	30,417	6,183	29,950	29,950	-
Professional services	13,495	16,726	(3,231)	9,315	12,716	(3,401)
Insurance	10,266	10,364	(98)	10,025	10,054	(29)
Administrative services	6,600	9,974	(3,374)	8,523	8,683	(160)
Utilities & telephone	10,146	9,155	991	10,662	11,091	(429)
Maintenance and repairs	16,450	7,531	8,919	26,475	24,823	1,652
Rent	6,390	6,427	(37)	6,390	6,396	(6)
Office expenditures	960	3,230	(2,270)	7,185	8,537	(1,352)
Payroll tax expense	3,642	2,627	1,015	3,070	3,143	(73)
Capital outlays						
Equipment		2,100	(2,100)	2,909	5,859	(2,950)
Other expense	3,169	1,682	1,487	10,634	4,611	6,023
Fuel cost	675	490	185	675	175	500
Total expenditures	108,393	100,723	7,670	125,813	126,038	(225)
Excess revenues over (under) expenditures	\$ 8,685	\$ 10,923	\$ 2,238	\$ (10,352)	\$ (10,657)	\$ (305)
Fund balance, beginning of year		12,716			23,373	
Fund balance, end of year		\$ 23,639			\$ 12,716	

The accompanying notes are an integral part of this statement.

Drainage District No. 4
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Drainage District No. 4 of St. Tammany Parish conform to generally accepted accounting principles applicable to governmental entities. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Governmental Audit Guide, and to the industry audit guide, Audits of State and Local Governmental Units. The following is a summary of certain significant policies.

1. History

Drainage District No. 4, St. Tammany Parish, Louisiana was created by the St. Tammany Parish Government ordinance No. 812 in May, 1979. The District serves the area of St. Tammany Parish, Louisiana known as Kingspoint South and Foxhollow. The District is operated as a component unit of the St. Tammany Parish Government.

2. Reporting Entity

As the governing authority of the Parish, for reporting purposes, the St. Tammany Parish Government is the financial reporting entity for St. Tammany Parish. The financial reporting entity consists of (a) the primary government (government), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In accordance with GASB codification Section 2100, Drainage District No. 4 is considered a component unit of the parish reporting entity because; (1) commissioners of the District are appointed by the St. Tammany Parish Government and, (2) the District provides drainage protection service to residents within St. Tammany Parish. While Drainage District No. 4 is an integral part of the parish reporting entity and should be included within the component unit financial statements of that reporting entity, GASB Codification Section 2600 provides that a component unit may also issue financial statements separate from those of the reporting entity. Accordingly, the accompanying financial statements present information only on the financial operations of Drainage District No. 4 and do not present information on the St. Tammany Parish Council, the general government services provided by the government or on other component units that comprise the St. Tammany Parish reporting entity.

Drainage District No. 4
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fund Accounting

The accounts of the Drainage District No. 4 are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund consist of self balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are to be controlled.

4. Governmental Fund

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

5. Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund is determined by its measurement focus.

All governmental fund type operations are accounted for on a spending or "financial flow" measurement focus and only current assets and current liabilities are generally included on their balance sheets.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. No depreciation has been provided on general fixed assets.

6. Basis of Accounting

Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Drainage District No. 4
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Basis of Accounting - Continued

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenue is recognized in the accounting period in which it becomes both measurable and available.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. An exception to this general rule is principal and interest on long-term debt which is recognized when due.

Revenues

Assessed fees are recorded in the year the fees are collected. Interest income on time deposits is recorded when the time deposits have matured and interest is available. Miscellaneous revenues are recorded as revenue when received in cash.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, except for principal and interest on general long-term obligations, which are recognized when due.

7. Budget Practices

The District adopts an annual budget for the General Fund on a modified accrual basis of accounting.

8. Cash, Cash Equivalents, and Investments

Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or national banks having their offices in Louisiana. At December 31, 2000, the District has cash (book balances) and cash on hand totaling \$16,055.

Cash deposits are stated at cost, which approximates market. Under state law, these deposits (or

Drainage District No. 4
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Cash, Cash Equivalents, and Investments - Continued

the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the District in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2000, these deposits are secured from risk by \$100,000 of federal deposit insurance.

The District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

9. Federal Income Taxes

The District is not subject to federal income taxes in accordance with the Internal Revenue Code (IRC) Section 115 regarding income of states, municipalities, political subdivisions, etc.

10. Total Columns on Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Drainage District No. 4
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE B - CHANGES IN GENERAL FIXED ASSETS

The District established a detail fixed asset listing using historical cost and estimated historical cost. Presented below is a summary of changes in general fixed assets:

	Balance December <u>31, 1998</u>	1999 <u>Additions</u>	Balance December <u>31, 1999</u>	2000 <u>Additions</u>	Balance December <u>31, 2000</u>
Buildings and improvements	\$ 110,000	\$ -	\$ 110,000	\$ -	\$ 110,000
Equipment	<u>322,857</u>	<u>3,294</u>	<u>326,151</u>	<u>2,100</u>	<u>328,251</u>
	<u>\$ 432,857</u>	<u>\$ 3,294</u>	<u>\$436,151</u>	<u>\$ 2,100</u>	<u>\$438,251</u>

NOTE C - CERTIFICATE OF INDEBTEDNESS

The District had a certificate of indebtedness bearing interest at 8.25% that matured in 1988. The outstanding principal and interest, which was accrued through maturity, was recorded in the Debt Service Fund. Before this certificate matured, the original holder of that certificate was taken over by the Federal Deposit Insurance Corporation (F.D.I.C.). Subsequent to the take over, the successor bank has been contacted and informed the District that it has no record of said certificate. The District retained the service of the St. Tammany Parish District Attorney's Office (D.A.) to look into the matter more fully. The District Attorney is of the opinion that the debt is prescribed. As a result, the District elected to remove the debt from its records as a prior period adjustment, thereby increasing beginning fund balance in the General Fund and Debt Service Fund by \$2,581 and \$13,345 respectively.

NOTE D - OPERATING LEASE

The District has entered into an annual operating lease to lease office space for \$520 per month starting February, 1998. The rent expense totaled \$6,427 for 2000 and \$6,396 for 1999.

Drainage District No. 4
St. Tammany Parish, Louisiana

STATEMENT OF GENERAL FIXED ASSETS

December 31, 2000

	<u>2000</u>
General Fixed Assets at Cost:	
Building and improvements	\$ 110,000
Equipment	<u>328,251</u>
Total General Fixed Assets	<u>\$ 438,251</u>
Investments in General Fixed Assets from:	
General Fund	
Revenues	<u>\$ 438,251</u>
Total Investments in General Fixed Assets	<u>\$ 438,251</u>

The accompanying notes are an integral part of this statement.

Drainage District No. 4
St. Tammany Parish, Louisiana

SCHEDULE OF GOVERNING BOARD

December 31, 2000

<u>Board Members</u>	<u>2000 Compensation</u>	<u>1999 Compensation</u>
Wayne Espat, President 1711 Kings Row Slidell, LA 70461	\$ 6,520	\$ 975
Emile Henriquez 1818 Barrymore Street Slidell, LA 70461	210	960
James Pinson, Jr. 1816 Barrymore Street Slidell, LA 70461	975	975
Harold Johnson 1709 Kings Row Slidell, LA 70461	390	780
John Schhneidau 125 W Howze Beach Slidell, LA 70458	845	-0-

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Drainage District No. 4
St. Tammany Parish, Louisiana

We have audited the component unit financial statements of the Drainage District No. 4, as of December 31, 2000 and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 7, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether the District's component unit financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determinations of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the component unit financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than those specified parties.

Smith, Huval & Associates, L.L.C.

June 7, 2001